

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Charter Township of Milford Library	County Oakland
Audit Date December 31, 2004	Opinion Date February 1, 2005	Date Accountant Report Submitted To State: August 4, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature  			

# **Charter Township of Milford Library**

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**Financial Report**  
**December 31, 2004**

# **Charter Township of Milford Library**

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## Independent Auditor's Report

To the Library Board  
Charter Township of Milford Library  
Oakland County, Michigan

We have audited the accompanying basic financial statements of the Charter Township of Milford Library as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Milford Library as of December 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 1 to the financial statements, the Charter Township of Milford Library's financial statements reflect the provisions of GASB Statement No. 34 as of January 1, 2004.

*Plante & Moran, PLLC*

February 1, 2005

# **Charter Township of Milford Library**

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## **Management's Discussion and Analysis**

Our discussion and analysis of the Charter Township of Milford Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Library's financial statements.

### **Using this Annual Report**

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Library's operations on a full accrual basis, which provides both long- and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# Charter Township of Milford Library

## Management's Discussion and Analysis (Continued)

### Condensed Financial Information

The following table below shows key financial information in a condensed format for the government-wide statement of net assets and the statement of activities. This information will be comparative in subsequent years:

#### **Assets**

Current assets	\$ 1,547,631
Capital assets	<u>1,406,410</u>
Total assets	2,954,041

#### **Liabilities**

Accounts payable	54,735
Other liabilities	<u>956,209</u>
Total liabilities	<u>1,010,944</u>

#### **Net Assets**

Invested in capital assets	1,406,410
Restricted for endowment	187,235
Unrestricted	<u>349,452</u>
Total net assets	<u><b>\$ 1,943,097</b></u>

#### **Revenue**

Property taxes	\$ 866,755
Other	<u>87,986</u>
Total revenue	954,741

<b>Expenses - Library services</b>	<u>1,231,101</u>
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<b>Change in Net Assets</b>	<u><b>\$ (276,360)</b></u>
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# **Charter Township of Milford Library**

## **Management's Discussion and Analysis (Continued)**

### **The Library as a Whole**

- The Library is reporting financial statements this year that meet the requirements of Governmental Accounting Standards Board Statement No. 34. The primary change requires reporting all assets at full cost less depreciation expense. This includes all Library materials, which were previously recorded at \$1 per item in the General Fixed Assets Account Group, which was generally accepted practice among libraries in Michigan.
- As a result of this change, the Library reports net assets of \$1,943,097 this year on a full accrual basis, as compared to fund balance of \$536,687 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. For 2004, total tax collections were \$866,755. This represents approximately 90 percent of total revenue.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For 2004, this expenditure was \$663,180, representing 60 percent of the Library's total expenditures.
- Total expenditures for the entire year under the modified accrual basis of accounting were \$1,103,862.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library owned assets and associated depreciation expense, is reflected in the statement of activities on page 8 of this financial report.

### **The Library's Fund**

Our analysis of the Library's General Fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual method, which is a short-term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The Library's only fund is the General Fund.

- The fund balance of the General Fund decreased by \$149,121 for the year. This represents amounts booked to cover construction and utility costs associated with the new library.
- The Library Board has designated funds to help manage money for specific purposes, such as maintaining current service levels for the 2005 fiscal year and obtaining workstation management hardware and software.

# **Charter Township of Milford Library**

## **Management's Discussion and Analysis (Continued)**

### **Library Budgetary Highlights**

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in property taxes, state penal fines, other income, salaries and wages, benefits, and repairs and maintenance. The following is a summary of significant budgetary highlights:

- Property taxes were revised downward to reflect tax collections more accurately.
- State penal fines were increased due to an initial underestimation of penal fines.
- Other income was increased due to a change in how the Library receives Universal Service Fund refunds from The Library Network (TLN). In previous years, the Library received a credit from TLN to be used toward services provided. In 2004, the Library began receiving a refund check.
- The decrease in the budgeted amount for salaries and wages was the result of staffing changes, as several staff resigned during the year, and there was lag time before replacements were found. This also affected the benefits budget, which was reduced as well. In addition, several staff members waived their health coverage in 2004.
- Repairs and maintenance was revised slightly to account for some improvements to the HVAC system as well as higher costs than anticipated for snow removal.
- The utility and capital outlay expenses exceeded the final budget by \$20,601 and \$27,941, respectively. The utility budget variance is the result of an expenditure that has been incurred, but not yet billed. The capital outlay budget variance is the result of an expenditure related to the Library construction that has been incurred, but will not be paid until the contractor's services are complete.

### **Capital Assets and Debt Administration**

At the end of the year, the Library had approximately \$1.4 million invested in furniture, equipment, and books and materials. In 2004, the Library added approximately \$66,500 in new collection items consisting mainly of books, video materials, audio books, and music CDs.

It should be noted that the Library building itself is an asset of the Charter Township of Milford, and therefore, does not appear as an asset of the Library.

The Library carries no long-term debt.

# **Charter Township of Milford Library**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budget and Rates**

The Library's budget for the 2005 fiscal year increases modestly from 2004. Penal fines continue to be budgeted by the best judgment of the Library and state aid revenue could be less due to the State's financial constraints. Expenditures were increased to account for increased staffing and benefit costs, as well as for the purchase of additional public access computers. Most line items are consistent with previous budget years.

### **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Tina Hatch, at (248) 684-0845 extension 101 or via email at [thatch@milfordlibrary.info](mailto:thatch@milfordlibrary.info).

# Charter Township of Milford Library

## Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
<b>Assets</b>			
Cash and investments (Note 5)	\$ 589,967	\$ -	\$ 589,967
Property taxes receivable	561,482	-	561,482
Due from other governmental units	396,182	-	396,182
Capital assets - Net (Note 6)	-	1,406,410	1,406,410
Total assets	<u>\$ 1,547,631</u>	1,406,410	2,954,041
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable and other	\$ 54,735	-	54,735
Deferred revenue	956,209	-	956,209
Total liabilities	1,010,944	-	1,010,944
<b>Fund Balance</b>			
Reserved for endowment	187,235	(187,235)	-
Reserved for tax appeals	33,210	(33,210)	-
Unreserved:			
Designated for subsequent year's budget	85,700	(85,700)	-
Designated for technology improvements	10,000	(10,000)	-
Undesignated	220,542	(220,542)	-
Total fund balance	536,687	(536,687)	-
Total liabilities and fund balance	<u>\$ 1,547,631</u>		
<b>Net Assets</b>			
Invested in capital assets		1,406,410	1,406,410
Restricted for endowment		187,235	187,235
Unrestricted		349,452	349,452
Total net assets		<u>\$ 1,943,097</u>	<u>\$ 1,943,097</u>

# Charter Township of Milford Library

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
<b>Revenue</b>			
Current and delinquent property tax	\$ 826,571	\$ -	\$ 826,571
Industrial facilities tax	38,730	-	38,730
Single business tax	1,454	-	1,454
Charges for service - Sales	3,763	-	3,763
State aid	16,663	-	16,663
Gifts, memorials, and other	9,624	-	9,624
Book fines	22,040	-	22,040
Penal fines	21,888	-	21,888
Interest on investments	10,557	-	10,557
Service charge	3,451	-	3,451
Total revenue	954,741	-	954,741
<b>Expenditures</b>			
Salaries	547,510	-	547,510
Payroll taxes	41,713	-	41,713
Employee benefits	73,957	-	73,957
Supplies	15,176	-	15,176
Contracted services	31,249	-	31,249
The Library Network	44,951	-	44,951
Communications	4,908	-	4,908
Memberships, dues, and travel	4,344	-	4,344
Advertising and promotion	10,866	-	10,866
Postage	2,049	-	2,049
Insurance	24,002	-	24,002
Utilities	100,501	-	100,501
Repairs and maintenance	71,834	-	71,834
Books	49,401	(49,401)	-
Periodicals	12,915	-	12,915
Audio/Visual	19,089	(17,116)	1,973
Electronic resources	2,658	-	2,658
Capital outlay	34,236	(27,704)	6,532
Depreciation	-	221,460	221,460
Community promotion	2,045	-	2,045
In-service training	1,373	-	1,373
Refunds and rebates	57	-	57
Miscellaneous	9,028	-	9,028
Total expenditures	1,103,862	127,239	1,231,101
<b>Excess of Expenditures Over Revenue/Change in Net Assets</b>	(149,121)	(127,239)	(276,360)
<b>Fund Balance/Net Assets - Beginning of year</b>	685,808	1,533,649	2,219,457
<b>Fund Balance/Net Assets - End of year</b>	<u>\$ 536,687</u>	<u>\$ 1,406,410</u>	<u>\$ 1,943,097</u>

# Charter Township of Milford Library

## Budgetary Comparison Statement Governmental Fund Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Current and delinquent property tax	\$ 859,000	\$ 853,600	\$ 826,571	\$ (27,029)
Industrial facilities tax	36,300	36,800	38,730	1,930
Single business tax	1,450	1,450	1,454	4
Charges for service - Sales	7,000	3,000	3,763	763
State aid	13,000	16,600	16,663	63
Gifts, memorials, and other	2,200	8,600	9,624	1,024
Book fines	15,000	15,000	22,040	7,040
Penal fines	16,000	21,800	21,888	88
Interest on investments	10,000	10,000	10,557	557
Service charge	1,500	2,500	3,451	951
Total revenue	961,450	969,350	954,741	(14,609)
<b>Expenditures</b>				
Salaries	571,000	548,200	547,510	690
Payroll taxes	43,690	41,790	41,713	77
Employee benefits	93,910	74,010	73,957	53
Supplies	12,500	15,225	15,176	49
Contracted services	24,800	32,800	31,249	1,551
The Library Network	40,100	45,100	44,951	149
Communications	7,000	6,500	4,908	1,592
Memberships, dues, and travel	3,570	4,385	4,344	41
Advertising and promotion	6,500	11,000	10,866	134
Postage	2,080	2,100	2,049	51
Insurance	18,000	24,010	24,002	8
Utilities	73,200	79,900	100,501	(20,601)
Repairs and maintenance	62,900	71,935	71,834	101
Books	45,250	50,250	49,401	849
Periodicals	14,500	13,000	12,915	85
Audio/Visual	19,100	19,600	19,089	511
Electronic resources	4,300	2,800	2,658	142
Rent	10	10	-	10
Capital outlay	2,500	6,295	34,236	(27,941)
Community promotion	5,030	2,930	2,045	885
In-service training	750	1,750	1,373	377
Refunds and rebates	100	100	57	43
Miscellaneous	5,030	10,030	9,028	1,002
Total expenditures	1,055,820	1,063,720	1,103,862	40,142
<b>Excess of Expenditures Over Revenue</b>	(94,370)	(94,370)	(149,121)	(54,751)
<b>Fund Balance - Beginning of year</b>	685,808	685,808	685,808	-
<b>Fund Balance - End of year</b>	<u>\$ 591,438</u>	<u>\$ 591,438</u>	<u>\$ 536,687</u>	<u>\$ (54,751)</u>

# Charter Township of Milford Library

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## Notes to Financial Statements December 31, 2004

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Milford Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The Library is governed by an elected six-member board. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

The accounts of the Library are organized on the basis of a fund type which is considered a separate accounting entity. Currently, the only fund of the Library is the General Fund, which is a generic fund type in the broad category referred to as governmental funds. General Fund activities are financed primarily by revenue from general property taxes.

Effective January 1, 2004, the Charter Township of Milford Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes as a result of Statement No. 34 include the presentation of combined governmental fund modified accrual and government-wide full accrual financial statements. As of and for the year ended December 31, 2004, adjustments were made to the amounts in the governmental fund for capital assets in order to arrive at the government-wide full accrual financial statements.

#### **Basis of Accounting**

The Library utilizes the following modified accrual basis of accounting policies:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations of the Library are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Deferred revenue in the General Fund of \$956,209 represents property taxes that were levied December 1, 2004 and will be available to finance operations of the Library in 2005.

# Charter Township of Milford Library

## Notes to Financial Statements December 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

- b. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2003 ad valorem tax is levied and collectible on December 1, 2003 and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

Property taxes for the Library are assessed to the residents of Milford Township. The 2003 taxable valuation of the Township totaled \$752,719,531, on which ad valorem taxes levied consisted of 1.1537 mills for Library operating purposes. This resulted in \$865,301 for operating.

**Capital Assets** - Capital assets are defined by the Library as individual assets with an initial cost of more than \$500, several similar assets with a combined initial cost of more than \$1,000, or items which do not fall under the previously mentioned criteria, but are mobile and/or highly susceptible to theft with an initial cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, fixtures, and equipment	3-10 years
Library books and audiovisual materials	10 years

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Charter Township of Milford Library

## Notes to Financial Statements December 31, 2004

### Note 2 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differs from the net assets and change in net assets of the Library's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the governmental fund balance sheet and statement of governmental revenue, expenditures, and changes in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Fund Balance - General Fund - Modified Accrual Basis</b>	<b>\$ 536,687</b>
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Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>1,406,410</u>
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<b>Net Assets - Full Accrual Basis</b>	<b><u>\$ 1,943,097</u></b>
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<b>Modified Accrual Basis</b>	<b>\$ (149,121)</b>
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Amounts reported in the statement of activities are different  
because:

Depreciation is recorded as an expense in the statement of net assets	(221,460)
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance	<u>94,221</u>
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<b>Change in Net Assets - Full Accrual Basis</b>	<b><u>\$ (276,360)</u></b>
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# **Charter Township of Milford Library**

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## **Notes to Financial Statements December 31, 2004**

### **Note 3 - Lease Agreement**

During the year ended December 31, 2003, the Library moved to a new facility. The new facility was built primarily from the proceeds of bonds issued by the Township of Milford. The principal and interest on the bonds are being paid by the Township from a voted millage. The portion of the bonded debt relating to the Library facility is \$6,075,000. During the year ended December 31, 2004, the Library entered into an operating lease agreement with the Township for the building and the grounds on which the Library is located. Under the terms of the 30-year agreement for the building and 90-year agreement for the grounds, rent under each lease is \$1 per year. The Township will retain all ownership rights of the Library building.

### **Note 4 - Budget Information**

The annual budget is prepared by the Library Director and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Library Board is included in the basic financial statements.

### **Note 5 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United State; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Library has designated three banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment as listed above.

# Charter Township of Milford Library

## Notes to Financial Statements December 31, 2004

### Note 5 - Deposits and Investments (Continued)

The Charter Township of Milford Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments at December 31, 2004 are reported as follows in the basic financial statements:

Cash and cash equivalents	\$ 274,732
Investments	<u>315,235</u>
Total	<u>\$ 589,967</u>

The breakdown between deposits and investments for the Library is as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 461,625
Investments in bank investment pools	128,000
Petty cash or cash on hand	<u>342</u>
Total	<u>\$ 589,967</u>

#### Deposits

The Library's deposits are administered by the Charter Township of Milford (the "Township") and are held in separate accounts in the name of the Township. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$480,843. The federal depository insurance coverage pertains to all the deposits of the Township; hence, the specific coverage pertaining to the Library's deposits, if any, is not determinable.

#### Investments

The Library's investments during the year consisted solely of bank investment pools of \$128,000 at December 31, 2004.

The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position of the bank investment pools is the same as the value of the pool shares.

Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, the Library's investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in these funds comply with the investment authority noted above.

# Charter Township of Milford Library

## Notes to Financial Statements December 31, 2004

### Note 6 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Capital assets not being depreciated - Land	\$ 57,035	\$ -	\$ -	\$ 57,035
Capital assets being depreciated:				
Furniture, fixtures, and equipment	770,736	27,704		798,440
Library books and audiovisual materials	917,908	66,517	-	984,425
Subtotal	1,688,644	94,221	-	1,782,865
Accumulated depreciation:				
Furniture, fixtures, and equipment	93,833	126,343		220,176
Library books and audiovisual materials	118,197	95,117	-	213,314
Subtotal	212,030	221,460	-	433,490
Net capital assets being depreciated	1,476,614	(127,239)	-	1,349,375
Net capital assets	<u>\$ 1,533,649</u>	<u>\$ (127,239)</u>	<u>\$ -</u>	<u>\$ 1,406,410</u>

### Note 7 - Simplified Employee Pension Plan

The Library provides pension benefits to all of its employees through a simplified employee pension plan. In a simplified employee pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three years of service with the Library. As established by the Library's Board, the Library contributes 5 percent of employees' gross earnings. In accordance with these requirements, the Library contributed \$17,705 during the current year.

The Library's contributions for each employee are fully vested immediately.

# **Charter Township of Milford Library**

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**Notes to Financial Statements  
December 31, 2004**

## **Note 8 - Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation. The Library has purchased commercial insurance for medical benefits claims, and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions; the Library is uninsured for unemployment compensation claims.

Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.